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DEPARTMENT FOR SCA/INS, DRL

E.O. 12958: DECL: 04/25/2017

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SUBJECT: MENON ADDRESSES CIVIL NUCLEAR NEXT STEPS WITH NRC
CHAIRMAN AND AMBASSADOR

Classified By: Ambassador David Mulford for Reasons 1.4 (B and D)

[11.](#) (C) Summary: The Ambassador and NRC Chairman Klein discussed next steps on civil nuclear cooperation with Foreign Secretary Shivshankar Menon on November 12. Menon underlined the importance of India adopting a nuclear regulatory regime that would allow the industry to expand and avoid hampering future development. Chairman Klein welcomed opportunities for sharing best practices with GOI counterparts, noting that the regulatory structure of the U.S. nuclear industry has bolstered its capacity, productivity and safety. The Ambassador noted that the private sector will play an important role in shaping the Indian nuclear industry, stressing the importance of establishing strong regulatory regimes to promote investment.
End Summary.

Need for Regulations

[12.](#) (C) Chairman Klein and the Ambassador encouraged Secretary Menon to adopt a strong federal regulatory regime that would encourage standardization and allow sustained growth in India's nuclear industry. Menon recognized that the GOI will need to play an active role in updating energy sector regulations at the federal and state levels. He lamented that the current energy regulatory structure, in which the GOI and state government share oversight responsibilities, has led to inefficiencies in energy generation and the delivery of services. In order to meet present and future energy demand in India, Menon called for strengthened regulatory structures by adopting international best practices.

Recommendations from the Industry "Gold Standard"

[13.](#) (C) Menon noted that the Nuclear Regulatory Commission's (NRC) scale of operation and regulatory structure are the "gold standard" against which others in the nuclear industry are measured. Chairman Klein recommended that Menon look

into the Institute for Nuclear Power Operation (INPO), a non-profit organization that works to identify and remedy performance problems and improve the operation of reactors. He also emphasized the importance of upgrading and maintaining existing structures. The NRC currently oversees 104 nuclear power plants in the U.S. that function at 92% capacity, compared to 60% 30 years ago. By focusing on operational aspects and improving the existing fleet of reactors, the NRC has added more than 5,000 megawatts and extended reactor lifespan by 20 years.

¶4. (C) Chairman Klein shared industry lessons learned from nuclear projects in Finland and Japan, in which construction started before design plans were finalized leading to costly construction delays and operational inefficiencies. He noted that the NRC prefers to "do it right," by concentrating on select projects to ensure quality construction. In 2009, the NRC will oversee construction of two or three facilities.

¶5. (C) Chairman Klein also stressed the importance of adopting a strong federal regulatory structure. Federal oversight of the nuclear energy industry, he added, would create a national apparatus with standardized equipment and facilities, which would help to address inefficiencies in India's energy sector such as inconsistent energy generation and delivery of services. Chairman Klein emphasized the importance of setting up an effective body that "checks the regulators," similar to the NRC's accountability office that monitors the regulator's operations.

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Promoting the Private Sector

¶6. (C) The Ambassador asked Menon about the future role of the private sector in the civil nuclear industry. Menon said that the regulatory environment would dictate the success of private companies. A strong regulatory system, he observed, would expand energy production and help to promote investment and returns. Menon lamented, however, that regulations are often "forgotten" by policy makers.

Over-coming Misperceptions: Renewable vs. Nuclear Energy

¶7. (C) Chairman Klein noted that the general public needs to be educated about the benefits of nuclear energy as a sustainable energy alternative. He cited a recent survey that 70% of Americans believe that wind power is the best alternative energy source. Wind power, Chairman Klein indicated, is not a suitable alternative to traditional fuel-based methods: electricity generated from wind can be highly variable, which can raise costs. Nuclear power is a sustainable energy source that reduces carbon emissions and increases energy generation to meet growing demand, but the media has cast a shadow on the industry, he said.

¶8. (C) Menon observed that there is strong popular support for nuclear energy, noting that 94% of Indians supported the U.S.-India Civil Nuclear Initiative. He added that the nuclear initiative will address the country's present and future energy needs, and will have far-reaching socio-economic implications in helping to alleviate poverty and generate employment opportunities.

Chairman Klein cleared this message.
MULFORD